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SUBJECT: UKRAINE: WAITING FOR YUSHCHENKO: LACK OF COALITION  
CLARITY CONTINUES

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Classified By: Political Counselor Aubrey Carlson, reasons 1.4 (b,d)

11. (C) Summary: While much of Ukraine takes off the first week in May between the May Day and Victory in Europe holidays, work on possible Rada majority coalition policy agreements inched forward, even as the question remained open as to which coalition, if any, would ultimately emerge. In May 3-4 meetings with PolOff, proponents of Orange and Orange-Blue coalitions agreed on two things: 1) it would come down to a decision by President Yushchenko; and 2) Yushchenko traditionally agonizes, Hamlet-like, until the last possible moment to make any important decision. Mykola Katerynychuk, head of the Our Ukraine (OU) party Executive Committee and of the OU coalition negotiating team for economic issues, frankly acknowledged OU's weaknesses, strongly advocated the Orange option, but did not rule out Yushchenko deciding to partner with Yanukovych's "Blue" Party of Regions, even though such a decision would have calamitous political consequences for Our Ukraine in his view. Volodymyr Makeyenko, a long-time Rada MP who defected from Our Ukraine to Regions in 2004 and helped negotiate the September 2005 memo of understanding between OU and Regions, called current negotiations between erstwhile Orange partners OU, Yuliya Tymoshenko's Bloc (BYuT) and the Socialist Party of Ukraine (SPU) "mere theater"; he predicted an OU-Regions coalition would emerge in late June, perhaps June 22. Vira Nanivska, head of the International Centre for Policy Studies (ICPS) and a strong proponent of platform-based political parties over personalities, told us she had been consulting with both OU and Regions on policy proposals and favored an OU-Regions coalition, even though she believed the OU-BYuT-SPU coalition would emerge first. She noted that the emergence of an Orange coalition would allow Regions time to prove it had adopted a newfound responsible approach to politics as a constructive opposition force, prior to returning to government, likely in coalition with OU. She did not rule out eventual formation of a hybrid force she dubbed "Our Regions" as a counterweight to Tymoshenko's populism. End summary.

Katerynychuk: deep Orange, but wary

12. (C) Based on Tymoshenko's identification of Katerynychuk as an Our Ukraine figure likely to leave the party if OU went into coalition with Regions (reftel), we met with Katerynychuk May 3 to discuss coalition possibilities and OU organizational problems. Katerynychuk explained that, from the founding of the People's Union Our Ukraine political party in early 2005 (as opposed to the Our Ukraine electoral bloc that formed in late 2005 to run in the March 2006 parliamentary and local elections), there were two competing visions of party development: a European-style modern political party and a pro-presidential "technical project." Katerynychuk had favored the former; party elders had decided

on the latter, "and the results were crystal clear on March 26," when OU stumbled to a disappointing third-place showing far behind Regions and BYuT. OU now needed to learn the harsh lessons and rebuild itself based on the more modern approach, said Katerynychuk.

13. (C) A firm Orange coalition advocate, Katerynychuk believed OU could not ignore "the will of the Ukrainian people" who had delivered a majority of seats March 26 to the major Maidan (i.e., Orange Revolution) parties -- OU, BYuT, and SPU. These parties agreed on Ukraine's strategic direction: democratization of governmental institutions; granting society a clear voice in governance; and a European identity.

While he acknowledged there was convergence on economic policy between OU and Regions, differences on more fundamental issues remained. Katerynychuk claimed that recent local OU-Regions alliances in the Kiev City Council and Zakarpattya Oblast Council were not done deals, and that the OU leadership would not finalize such coalitions; the search for common ground with BYuT and SPU would continue.

14. (C) Katerynychuk squirmed uneasily when asked what would happen to OU if Yushchenko ultimately were to decide to go into coalition with Regions rather than BYuT and SPU. He made no attempt to deny the possibility, acknowledged not all OU members/voters would stay with Yushchenko, and said that "we -- Yushchenko and Our Ukraine -- would face a tough second round" in the 2009 presidential elections, presumably against Tymoshenko. (Note: Katerynychuk's phrasing indicated no immediate plans to abandon OU, contrary to Tymoshenko's prediction in reftel, were Our Ukraine to ally with Regions to form a majority coalition.)

15. (C) On the timing of coalition formation, Katerynychuk

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suggested that the coalition would be announced on the last day possible, or perhaps "29 instead of 30 days" after the opening of the new Rada. The "real" coalition negotiations, he suggested, would only begin once the Rada convened.

(Note: Katerynychuk is the OU lead representative for coalition talks on economic policy issues with BYuT and the SPU, but as of May 4, he was still gathering input and suggestions from Ukrainian experts; see below.) Katerynychuk also left the door open for an extended delay in forming the new government, noting there was nothing in the Constitution that obliged Yushchenko to dismiss the Rada if no government were formed within 60 days; Yushchenko merely had the right to do so.

Makeyenko: Hamlet-like Yushchenko will choose Regions

16. (C) Regions MP Volodymyr Makeyenko described to us May 4 a growing mood among his fellow party MPs against continued warfare with their political opponents; hard opposition would be bad for (their own personal) business(es), and bad for Ukraine as well. As one of only six MPs-elect left from the original Soviet Ukrainian Rada that voted for sovereignty in 1990 and independence in 1991, he had taken the floor at the latest Regions' Congress to describe how the nationalist Rukh party and the Communist Party had worked together despite all their differences to take the country forward; he had advocated that now was the time for Regions and OU to do likewise. Many newly-elected MPs from eastern Ukraine (Regions' stronghold) expressed concern over "how a deal with Yushchenko would play in (far eastern) Luhansk," but Makeyenko said Regions' future lay in compromise, not further confrontation.

17. (C) The key now was, of course, Yushchenko himself. Yushchenko would wait until the very last moment possible to make a decision on a coalition, a behavior pattern dating from his time as head of the National Bank, when Makeyenko was a bank owner and faced similar indecision and dithering by Yushchenko. Makeyenko dismissed the current negotiations

between OU-BYuT-SPU as mere theater, akin to the working groups Yushchenko would set up at the Bank for bankers to engage his underlings to come up with draft decisions to resolve various crises. Even after well-considered proposals had been worked out, Yushchenko would still delay a decision, listen to everyone, and finally make up his own mind at the last possible moment, with disaster looming.

18. (C) A similar dynamic was now in play, said Makeyenko, who suggested Yushchenko was also delaying government formation to milk as much out of the current RosUkrEnergo gas deal as possible and tie the hands of the incoming coalition. Yushchenko would eventually cut the deal with Regions, he predicted, because Yushchenko would realize "the only way he could win re-election in 2009 and beat Tymoshenko is with Regions' support." Regions would support Yushchenko because it was clear Donetsk alone could not secure its own presidential victor, and Yushchenko was a more dependable, stable "roof" as President than Tymoshenko.

19. (C) While Makeyenko, a former Our Ukraine MP from Chernihiv who defected to Regions in 2004, had been instrumental in negotiating the September 2005 Memorandum of Understanding between Our Ukraine and Regions that ensured PM Yekhanurov was confirmed (and also boosted Regions' legitimacy as a political force), he said that this time around, "Donetsk is completely in charge." Makeyenko predicted an OU-Regions coalition would emerge "on the 30th day" after the Rada convened, based on a deal cut by Yushchenko and Yanukovich; since the Rada would most likely convene on May 23, his prediction for a coalition announcement was June 22.

Nanivska: Regions serious on policy; a future "Our Regions"?  
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110. (C) Vira Nanivska, head of the International Centre for Policy Studies (ICPS) and a respected former World Bank executive who returned to Ukraine to push for platform and policy-based politics on the ground in Ukraine, is personally close to many figures in Our Ukraine, to whom she has been giving free advice for years. (Note: As we were talking May 3, Katerynychuk called Nanivska, pleading for her assistance in bringing order to the process of turning expert advice into economic policy proposals for OU to use in a coalition agreement.)

111. (C) Nanivska claimed Regions was taking the most systematic and serious approach to putting together detailed and coherent policy platforms for coalition negotiations and the next Rada session. She acknowledged having been

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approached by Regions, noting that, unlike Our Ukraine or BYuT, Regions signed contracts and paid for advice. She would conduct a "tutorial" session for Regions' financier Rinat Akhmetov May 5 on a seven-point approach to institutionalizing an anti-corruption agenda based on European norms. Akhmetov knew that corruption was the weak point of Regions and that Regions needed to appear serious and actively embrace European standards if it were to return government. (Note: Nanivska thus confirmed one of Tymoshenko's other comments in reftel, that Regions was engaging/romancing leading think tanks. ICPS' latest policy bulletin clearly favors an OU-Regions coalition as the best way to carry the country forward on economic policy issues.)

112. (SBU) Nanivska predicted that an OU-BYuT-SPU coalition would form first. She sensed in her discussions with Regions leaders that they were preparing to go into opposition in the Rada -- but as a constructive opposition, not a hard-line one. In embracing a more modern, policy-based agenda and engaging responsibly in politics, rather than seeking confrontation, Regions could improve its reputation among skeptics in Ukraine and the West and lay the groundwork for a return to government, presuming the Orange

coalition would fall apart. An OU-Regions coalition should not be seen as a threat even by strong supporters of the Orange Revolution such as herself, as long as Regions continued to advocate the right policies and practices. Looking ahead, she mused that such an alliance, which she dubbed "Nashi Rehioni" ("Our Regions"), might well prove to be an enduring new force in Ukrainian politics, balanced against a more populist force led by Tymoshenko.

¶13. (U) Visit Embassy Kiev's classified website at [www.state.sgov.gov/p/eur/kiev](http://www.state.sgov.gov/p/eur/kiev).  
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